

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6494

BILL NUMBER: HB 1297

NOTE PREPARED: Jan 24, 2011

BILL AMENDED:

SUBJECT: Capital Ratio Requirement for Public Depositories.

FIRST AUTHOR: Rep. Messmer

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides that a financial institution does not have to maintain a capital ratio in excess of the minimum required by the institution's governmental supervisory body in order to serve as a depository of public funds if the institution has fully collateralized the institution's public funds on deposit by pledging and delivering acceptable collateral to the board for depositories.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: The bill could potentially increase the number of financial institutions eligible to hold public deposits of the state over the number eligible under current statute without additional risk as the deposits would have to be fully collateralized.

Current statute provides that a financial institution may not hold public deposits if the institution:

- (1) fails to maintain a capital ratio (the ratio of capital to assets) in excess of the minimum required by the governmental supervisory body of the institution (i.e. the Federal Reserve or the FDIC); or
- (2) issues a credit card as a card issuer and it is not in substantial compliance with the federal Credit Card Accountability Responsibility and Disclosure Act of 2009.

The bill provides an exception to (1) so that an institution not maintaining the minimum capital ratio could hold public deposits provided the institution fully collateralizes the public deposits with the Board for Depositories or the Board's agent under the statutory requirements and rules of the Board relating to

collateralization of public deposits. The rules for collateralization of public deposits recently issued by the Board provide for collateralization levels up to 100% of a financial institution's public deposits depending upon the financial condition rating of the institution.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Treasurer; Board for Depositories.

Local Agencies Affected: Local units.

Information Sources: Indiana Board for Depositories, Rules for Collateralization and Collateralization Matrix, <http://www.in.gov/tos/deposit/2552.htm>.

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